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WASHINGTON, DC- U.S. Rep. Charlie Melancon announced today he has introduced a bill with House Small Business Committee Chairwoman Nydia Velázquez (D-NY) to dramatically reform the Small Business Administration and improve its response to Hurricane Katrina and Rita victims, as well as the next major disaster. Rep. Melancon is an original co-sponsor of The Relief for Entrepreneurs: Coordination of Objectives and Values for Effective Recovery (RECOVER) Act of 2007, which was introduced yesterday evening.

"The SBA's response to Hurricanes Katrina and Rita was nothing short of a fiasco," Rep. Melancon said.

"Distraught storm victims were kept waiting months for the loans they urgently needed to start rebuilding their homes and businesses, and many gave up on the SBA before they ever got any help at all. The RECOVER Act will not only help Katrina and Rita survivors, it will work to fix many of the SBA's problems and inefficiencies that Katrina and Rita laid bare, and I thank Chairwoman Velázquez for her leadership on this comprehensive reform legislation."

Chairwoman Velázquez added, **"The RECOVER Act is a first step in providing much needed relief to Gulf Coast small businesses. It also ensures the administration is prepared to handle large scale disasters in the future. Mr. Melancon played an instrumental role in developing this legislation, and ensuring employers in the Gulf Coast will be able to get the timely assistance they so desperately need today and tomorrow."**

Last month, Rep. Melancon testified before the Small Business Committee about the SBA's failed response to Hurricanes Katrina and Rita. The agency was understaffed, poorly trained, poorly managed, and overall unprepared to respond effectively to the urgent need for disaster relief loans. For instance, at the time of the hearing in February 2007 - almost a year and half after Katrina and Rita made landfall - only 38% of SBA loan applications had been approved and funded. Rep. Melancon testified that the delays and poor communication from the SBA effectively discouraged many disaster victims from ever completing the loan application process, leaving them on their own to try to rebuild their homes and businesses.

The RECOVER Act will better prepare the SBA to handle future disasters by requiring, among other reforms, that the agency to develop a comprehensive disaster response plan, improve employee training, streamline their information tracking system and follow-up process, and more efficiently distribute disaster loans by partnering with private lenders. Rep. Melancon addressed this last issue when he signed on as an original co-sponsor of the *Small Business Disaster Response and Loan Improvements Act of 2007*, introduced last month with Rep. Richard Baker (R-LA). Two key aspects of that legislation are included in the RECOVER Act: allowing for larger maximum loan amounts and permitting private, SBA-approved lenders to originate, process, approve, and service SBA disaster loans.

Rep. Melancon was also instrumental in writing a section of the RECOVER Act that increases the flexibility of SBA regulations governing the approval of disaster loan applications. Specifically, the provision permits small businesses that were not a major source of employment prior to the disaster, but which subsequently become a major source of employment following a disaster, to qualify for disaster loans beyond the current statutory limit. As Rep. Melancon testified in February, some businesses along the Gulf Coast were denied sufficient loans because the SBA judged their applications solely based on their pre-storm capabilities - not on the new realities they were trying to adjust to and their ability to meet post-storm demands.

"Instead of nurturing struggling small businesses as they adapted to the new environment following Katrina and Rita, the SBA often strangled them with red tape and tripped them up with bureaucratic hurdles," said Rep. Melancon. "The RECOVER Act will make the SBA a more flexible agency that is better able to help Americans recover from major disasters and try to get their lives back to some semblance of normal."

The text of the bill can be found by clicking [here](#) . A section-by-section summary is below.

Relief for Entrepreneurs: Coordination of Objectives and Values for Effective Recovery (RECOVER) Act of 2007

Title I

Sec. 101 Comprehensive Disaster Response Plan

This provision will require the SBA to develop, implement, and maintain a comprehensive written disaster response plan. The plan should include an assessment of risks associated with various types of disasters in each of the agency's 10 districts. This plan should also integrate plans to integrate agency resources and personnel in responding to the various disasters it identifies. The plan should include strategies to meet rapidly expanding IT, HR, and office space needs within the agency and should have appropriate guidelines for coordination with other federal agencies.

Sec. 102 Annual Disaster Simulation Exercise

This provision will require the SBA to undertake at least one agency-wide disaster simulation exercise each year that includes, at a minimum, not less than half of the agency's disaster reserve corps and includes stress-testing of vital agency systems.

Sec. 103 Disaster Reserve Corps

This provision will require SBA to maintain a disaster reserve corps of 1,000 individuals who receive annual training, and, to the greatest extent practicable, are cross-trained to perform more than one function relating to disaster response.

Sec. 104 Plans To Secure Additional Space

This provision will require the SBA to develop long-term plans to secure additional space to accommodate an expanded workforce in times of disaster.

Sec. 105 Coordination of Disaster Assistance Programs With FEMA

This provision will require the SBA establish uniform guidelines in consultation with the director of FEMA providing for the coordination of their assistance programs. Specifically, the SBA must establish guidelines to ensure that applications for disaster assistance are submitted to the appropriate agency as quickly as possible.

Sec. 106 Associated Administrator for Disaster Assistance

This provision will require the SBA to create a new position within the agency, the Associate Administrator for Disaster Assistance, appointed by the President, who will be responsible overseeing the SBA's entire disaster assistance program. Two Director positions will also be established and will report directly to the Associate Administrator. The Director of Disaster

planning will develop and implement the all aspects SBA's disaster readiness plan, including the agency's annual disaster simulation exercise. The Director of Disaster Lending will direct the agency's 7(b) disaster loan program.

Title II

Sec. 201 Incident of National Significance

This provision will bring the preexisting "Incident of National Significance" within the Small Business Act to permit affected businesses to receive economic injury and mitigation disaster loans.

This provision will be made retroactive to businesses affected by the 2005 Gulf Coast Hurricanes.

Sec. 202 Information Tracking and Follow-up System

This provision will require the SBA develop, implement, and maintain a centralized information system to track all communications (written, e-mail, and phone) between disaster victims and SBA personnel concerning the status of their application. At a minimum, this system must record the method of communication, the date of the communication, the identity of the SBA employee involved, and a summary of the subject matter of the communication.

This will also require the SBA to provide follow-up communications to disaster victims as their disaster loan proceeds through critical stages of the origination, approval, and disbursement process.

Sec. 203 Immediate Disaster Assistance Program

This provision provides the SBA with authority to make immediate, small dollar, short term loans to small businesses physically damaged in a disaster, contingent upon the business applying for and meeting basic criteria for a subsequent SBA disaster loan.

Sec. 204 Increased Deferment Period

This provision will provide disaster victims with an option of receiving a four year deferment

period for disaster loans.

Sec. 205 Revised Repayment Terms

This provision requires the repayment period to begin from the date that the final loan disbursement is made and requires that repayment amounts be based solely on funds that have been disbursed.

Sec. 206 Revised Disbursement Process

This provision will require that approved funds for SBA disaster loans be disbursed upon a schedule with increased minimum disbursement levels to better meet the needs of disaster victims.

Sec. 207 Revised Collateral Requirements

This provision will revise the collateral requirements so that business owners are not required to pledge their homes for business loans less than \$100,000.

Sec. 208 Enhanced Lending Authority for Preferred Lenders

This provision will create a program that permits Preferred SBA lenders to originate, process, approve, and service disaster loans for a small fee. This program may be initiated at the discretion of the Administrator, during incidents of national significance, and whenever the SBA's average time for disaster loan approvals in any single disaster runs longer than 30 days. This provision will also permit the Administrator to suspend, revoke, or condition a lender's PLP status in the event that the loans they make experience an inordinate number of defaults.

Sec. 209 Disaster Processing Redundancy

This provision will require the SBA to maintain a backup disaster processing operation in a separate geographic location from the primary processing operation.

Sec. 210 Grant Program

This provision will provide the SBA with authority to offer grants of up to \$100,000 for businesses most severely affected by the 2005 Gulf Coast Hurricanes that were in existence at least two years prior to the disaster, that are economically viable, that have applied for and been rejected for a conventional disaster assistance loan, and that reestablish their business

within the same or in a contiguous county or parish in which they were originally located.

Sec. 211 Waiver of Prohibition on Duplication of Certain Benefits

This provision will permit the Administrator to waive grant assistance from consideration as compensation for damage or destruction caused as a result of natural or other disasters. This provision will be retroactive to the 2005 Gulf Coast Hurricanes.

Sec. 212 Increase Legislative Limit

This provision will increase the legislative limit on disaster loans from \$1.5 million to \$3 million.

Sec. 213 Net Earnings Clause Prohibited

This provision will preclude the imposition of annual "Supplemental Payment" terms on loans in excess of \$1 million during the first five years of repayment.

Sec. 214 Economic Injury Disaster Loans to NonProfits

This provision will permit private nonprofit organizations to qualify for disaster assistance.

Sec. 215 Applicants That Will Constitute a Major Source of Employment Due to Changed Economic Circumstances

This provision permits small businesses that were not a major source of employment prior to the disaster, but which subsequently are a major source of employment following the disaster to qualify for disaster loans beyond the current statutory limit.

Title III

Sec. 301 Annual Report on Disaster Assistance

This provision will require the SBA to submit to Congress a report on the Disaster assistance program performance during the pervious fiscal year. This report will cover changes in staffing, technology, and a review of challenges encountered and overall results. Additionally, during an incident of national significance, the SBA must make monthly reports to Congress with basic information on their disaster response.

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